ing of profits" (Petitioner's Reply Brief before Court of Appeals, p. 2).* Petitioner (hereinafter referred to as "Perfect Fit") has subtly changed its position so that now it phrases its question: "whether a successful trademark plaintiff may be awarded an accounting of the defendant's profits, where the parties do not conduct business on the same level of commerce, are not competitors in any sense *and there is no proof of any damage sustained.*" (emphasis added) (Petition p. 3).

Statement of the Case

Monsanto believes that the petitioner's "Statement of the Case" is inaccurate and misleading in that it creates the impression that the dispute between the parties arose as the result of an honest misunderstanding. The fact is, as will be seen below, the dispute arose as a result of petitioner's willful infringement of Monsanto's trademarks as a part of a preconceived plan to trade upon Monsanto's reputation.

Respondent's Statement

Monsanto manufactures acrylic fibers which it sells under the registered trademark "Acrilan." These fibers are used, *inter alia,* in the manufacture of quilted products, such as coverlets, mattress pads and in the manufacture of blankets for use as bedding (B-8).

Perfect Fit sells bedding items, including mattress pads, bedspreads and coverlets, which are manufactured for it by its wholly-owned subsidiary, Carolina Manufacturing Co. (B-11).

---

* Respondent has adopted the reference symbols used by petitioner and has added additional reference symbols as follows:

Parenthetic references (A-) are to the pages of the appendix to the petition; (B-)are to the pages of the appendix to the brief in opposition; (R-) are to the pages of the appendix to petitioner's main brief in the Court of Appeals; and (X-) are to the pages of the appendix to respondent's reply brief in the Court of Appeals.

In 1958 Perfect Fit embarked upon a course of deliberate infringement of the "Acrilan" trademark by selling to the trade mattress pads bearing the "Acrilan" trademark without license from the trademark owner. An exemplar of the blatant appropriation of the "Acrilan" trademark is attached hereto (B-1).

Upon notification that the mattress pads with the misappropriated trademark were on the market, Monsanto purchased a number of the pads and tested them. All of these pads labeled as "Acrilan" mattress pads contained less than 25% of acrylic fiber and some contained none whatsoever. The rest of their fill consisted of cotton, acetate, nylon and other fibers, mixed in various proportions. Some of the fibers were second-hand waste materials, such as fibers from floor sweepings, which contained considerable amounts of dust (B-12; B-13; B-15).

The labels on the pads claimed that the pads were "completely sanforized to prevent shrinkage" and "allergy-dust-proof-mothproof-will not mildew." Each of these claims was false (B-15). In addition, the covers for the pads, as the district court found, were made of:

> ". . . cheap, poor quality cloth, low in thread count and heavily sized with 30 per cent by weight starch and talc to give the appearance of good quality cloth. As evidenced by before and after washing specimens, the sizing rinsed out with a single washing leaving a dust-porous, rough fabric having an inferior appearance." (B-13)

On July 25, 1958, Perfect Fit admitted the mislabeling and, on "Monsanto's insistence, supplied what purported to be a list of the customers for the pads. In fact, however, the largest customer was not on the list (B-18).

The parties again conferred in August, 1958 and Perfect Fit proposed to manufacture a nylon-Acrilan pad, so labeled. Nothing came of this, however, and Monsanto brought suit in November, 1958 in the Southern District of New York, alleging infringement of its trademark and

unfair competition. In December, 1958, a preliminary injunction was granted on Monsanto's motion (B-26, R-6a).

The trial court found that Perfect Fit had infringed Monsanto's registered trademark, that its acts constituted unfair competition, and that it had acted "willfully with full knowledge of plaintiff's rights and as part of a pre-conceived plan to trade upon plaintiff's goodwill." (B-16) The trial court granted a permanent injunction and awarded $15,877.88 as costs and attorneys' fees.

The trial court denied Monsanto's prayer for an award of damages and for an accounting of defendant's profits.

Both parties appealed. The Court of Appeals for the Second Circuit found that (a) Perfect Fit had deliberately infringed (B-24), (b) Perfect Fit had used fraudulent sales practices and commercial piracy to defraud thousands of consumers (B-24, B-38), (c) there must have been some economic injury to the respondent and injury to its trademark (B-36, B-38). The Court of Appeals then affirmed the trial judge's refusal to award damages, but remanded the case to the trial court for an accounting of Perfect Fit's profits. In addition, the Court of Appeals affirmed the award of the legal fees and costs and made an additional award to Monsanto of $1500.00 for legal expenses on the appeal.

The Reasons for Denying the Writ

1. The decision of the Court of Appeals, in so far as it ordered an accounting of Perfect Fit's profits, is in accord with, and brings the Second Circuit into conformance with, the better considered opinions of the other judicial circuits.

2. The decision of the court below is in accordance with the trademark law as enunciated by this court.

3. The public interest requires the decision of the court below ordering an accounting be left standing.

4. In view of the finding that petitioner had willfully infringed and fraudulently palmed off its goods under re-

spondent's trademark there is no question but that the award of attorneys fees was proper.

ARGUMENT

1. The Decision Below, In So Far as It Ordered an Accounting, Is Consistent with the Prior Decisions of Other Circuits on the Same Question.

There is no conflict between the decision of the Court of Appeals of the Second Circuit and the prior expressed rule of the several circuits on the same question. The prior decisions in each circuit that has ruled on the propriety of an accounting of a defendant's profits for trademark infringement have ordered an accounting on either of two theories, neither of which is inconsistent with the other. One group of circuits awards defendant's profits where the plaintiff has been found to be somehow damaged by the defendant's acts. The second group—and it is submitted that these are the more carefully reasoned opinions—has recognized that the trademark owner has a valuable property right in his trademark and that the owner should be reimbursed for its unauthorized use by another for profit.

In some cases in which an accounting has been ordered, the plaintiff's injury has been presumed because of the direct competition between the parties and the assumed loss of sales by plaintiff if infringing sales were made by defendant. In others, plaintiff's injury has been proven in a variety of ways and an accounting for profits ordered.

The decision in the cases relied upon by petitioner at page 8 of the Petition cover a variety of situations. None of these cases are directly in conflict with the decision below. Thus, the *Vogue, Horlick's* and *Hanson** cases involved

---

* *Vogue Co.* v. *Thompson-Hudson Co.*, 300 Fed. 509 (6th Cir.); Cert. den. 273 U. S. 706.

Horlick's Malted Milk Corporation v. *Horluck's, Inc.*, 59 F.2d 13 (9th Cir.).

Hanson v. *Triangle Publications, Inc.*, 163 F.2d 74 (8th Cir.); Cert. den. 332 U. S. 855.

unfair competition and not trademark infringement, and any comments on recovery for trademark infringement are merely dicta. The other cases relied upon by petitioner involved findings of no injury at all to plaintiff, no profits by the defendant by reason of its infringement, or that the recovery would be so insubstantial that an accounting would not be warranted.

Other cases, typified by decisions in the First, Third and Tenth Circuits, *Baker* v. *Simmons Company* (1st Cir. 1963), 325 F. 2d 580; *Century Distilling Co.* v. *Continental Distilling Corp.,* (E. D. Pa.) 86 F. Supp. 503, affirmed, (3d Cir. 1953), 205 F. 2d 140; *Blue Bell Co.* v. *Frontier Refining Co.* (10th Cir. 1954) 213 F. 2d 354, have progressed one step further and recognized that whether or not the plaintiff has actually been injured by the activities of the defendant, the defendant has made use of a valuable property of the plaintiff's and, if the defendant has made any profits because of his unauthorized use, they belong to the owner of the property used, and not to the infringer. This Court has also recognized this position in *Hamilton-Brown Shoe Co.* v. *Wolf Brothers & Co.* (1915), 240 U. S. 251, 259:

> "Having reached the conclusion that complainant is entitled to the use of the words 'The American Girl' as a trade-mark, it results that it is entitled to the profits acquired by defendant from the manifestly infringing sales under the label 'American Lady,' at least to the extent that such profits are awarded in the decree under review. The right to use a trade-mark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used. *McLean* v. *Fleming,* 96 U. S. 245, 252; *Manhattan Medicine Co.* v. *Wood,* 108 U. S. 218, 224. The infringer is required in equity to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the *cestui que trust.*"

The decision of the Court of Appeals below recognized that certain earlier decisions* of the Second Circuit, which the District Court felt bound to follow, were entirely too narrow in their apparent misinterpretation of decisions in other circuits. These earlier Second Circuit decisions relied only on the test of actual competition, failing to recognize that such test was only one of several for determining the answer to the basic question of injury to the trademark owner.

In spite of the decisions in the Second Circuit, in the *Triangle* and *Admiral* cases, several subsequent cases have found no great difficulty in applying equitable principles, *Maternally Yours, Inc.* v. *Your Maternity Shop, Inc.* (2nd Cir. 1956), 234 F. 2d 538; *Dad's Root Beer Co.* v. *Doc's Beverages* (2nd Cir. 1951), 193 F. 2d 77; *Admiral Corporation* v. *Sewing Machine Sales Corp.* (S. D. N. Y. 1957), 156 F. Supp. 796. As stated by Judge Waterman in *Maternally Yours, Inc.* v. *Your Maternity Shop, Inc.*, 234 F. 2d 538, 545:

> "Defendant's final group of contentions relate to the relief granted by the trial judge. We think these contentions are without merit, and that the relief granted is adapted to the general equities of the situation. While we have held that an accounting of damages and profits should not be the invariable result of a finding of infringement, Admiral Corp. *v.* Penco, Inc., 2 Cir., 1953, 203 F. 2d 517, where findings of confusion and 'palming off' are supported by the record, an accounting is justified. Mishawaka Rubber & Woolen Mfg. Co. *v.* S. S. Kresge Co., 1942, 316 U. S. 203, 62 S. Ct. 1022, 86 L. Ed. 1381; Century Distilling Co. *v.* Continental Distilling Corp., 3 Cir., 1953, 205 F. 2d 140. The assessment of damages and profits, of course, must be in accordance with statutory provisions and long-settled equitable principles. See 15 U. S. C. A. § 1117."

---

* *Admiral Corp.* v. *Penco, Inc.*, 203 F. 2d 517 (2 Cir. 1953).
Triangle Publications, Inc. v. *Rohrlich*, 167 F. 2d 969 (2 Cir. 1948).

> "Finally, defendant contends that its New Rochelle and Philadelphia stores should not be included in the accounting, the New Rochelle store because it was established prior to the formal notice of infringement, and the Philadelphia store because plaintiff does not have a competing store in the Philadelphia area. However, the trial judge found that defendant adopted its trademark name with knowledge of plaintiff's trademark; and an infringer must account for profits even in areas where he does not directly compete with the trademark owner."

Considering the basic question of injury and overruling the prior Second Circuit decisions only in so far as they were inconsistent with the present holding, Chief Judge Lumbard found that ". . . it seems obvious that there must have been some economic injury to Monsanto, such as loss of sales to legitimate producers and the loss of the good will of some retail purchasers of Perfect Fit's inferior 'Acrilan' mattress pads." (B-36). He further found that the petitioner's "commercial piracy . . . injures a trade name built up at considerable cost by legitimate means." (B-38).* Thus, the order for an accounting of profits is perfectly consistent with the earlier decisions of the Second Circuit and other circuits.

2. The Decision of the Court of Appeals Is Perfectly Consistent with the Prior Decisions of This Court.

In *Mishawaka Rubber & Woolen Mfg. Co.* v. *S. S. Kresge Co.* (1942) 316 U. S. 203, the respondent S. S. Kresge Co. was found to have infringed the Mishawaka trademark as used on a combination of shoes and heels, by Kresge's unauthorized use of the same trademark on rubber heels

---

* The Court of Appeals recognized as a preliminary to those findings that the District Court had found that Respondent had "not adequately proved damages" (A-4) as such term is used to define dollars and cents losses by respondent. But, as stated by the Court of Appeals, respondent was nevertheless actually *injured.*

sold separately from shoes. The District Court, affirmed by the Court of Appeals, had awarded an accounting of the profits but only of profits made from sales to purchasers who were actually confused by the infringement. The plaintiff petitioned for review of this limited scope of accounting.

Mr. Justice Frankfurter adopted the finding of the courts below that (p. 204):

> "The heels sold by the respondent were inferior in quality to those made by the petitioner and 'this tended to destroy the good will created by the plaintiff in the manufacture of its superior product.' Although there was no evidence that particular purchasers were actually deceived into believing that the heels sold by the respondent were manufactured by the petitioner, the District Court found that there was 'reasonable likelihood' that some purchases might have been induced by the purchaser's belief that he was obtaining the petitioner's product."

Mr. Justice Frankfurter recognized that a trademark owner has "something of value" in his trademark and that the award of profits is designed to make the plaintiff ". . . whole for losses which the infringer has caused by taking what did not belong to him . . .".

The majority opinion affirmed the holding of the courts below that, even though the goods sold were not competitive in the narrowest sense of the word, an accounting should take place. It reversed, however, the ruling establishing the narrow scope of the accounting and held (pp. 207-208):

> "The decree in effect requires the petitioner to prove by a procession of witnesses, that when they bought heels from the infringer they had a clear, well-focused consciousness that they were buying the petitioner's heels and that otherwise they would not have bought them. But the shoe is on the other foot. The creation of a market through an established symbol implies that people float on a psychological current

> engendered by the various advertising devices which give a trade-mark its potency. It is that which the Trade-Mark Act of 1905 protects."

Mr. Justice Black's dissent in *Mishawaka* noted that the goods sold by the parties were not the same, and also noted the finding by the courts below that there had been no evidence of actual confusion, but nevertheless concluded (p. 209):

> "If the respondent had willfully palmed off the heels it sold as products of the petitioner, and if it had been shown that the petitioner had suffered any injury, I should agree to a decision resolving doubts about the measure of damages in favor of the petitioner."

Both findings required by Mr. Justice Black, namely, willful palming off by the defendant and injury to the plaintiff, were found by the court below (B-24, B-26, B-36, B-38).

This Court has reaffirmed the rule of the *Mishawaka* in *Champion Plug Co.* v. *Sanders* (1946) 331 U. S. 125, 131.

Although petitioner's mattress pads and respondent's "Acrilan" acrylic fiber are not competitive in the narrow sense of the term, they are nevertheless competitive in a very real sense. The fraudulent sales by petitioner clearly competed with respondent's attempts to sell its acrylic fiber for similar uses to others. In addition, petitioner purchased and used other filler fibers instead of respondent's, which it would have purchased except for its fraudulent plan. Finally, petitioner has competed with respondent in the marketplace of the retail purchaser: petitioner has used respondent's mark to sell its shoddy product as Monsanto's in conflict with Monsanto's attempt to use its mark to develop a "congenial symbol" for its products and the many products made therefrom by Monsanto's licensees.

Not only does petitioner compete with respondent but the courts below have specifically held that it has *unfairly* competed (B-21).

3. The Public Interest Requires that the Decision Ordering an Accounting Be Left Standing.

The petitioner has argued in its petition before this Court that the Court of Appeals erred in placing "a new weapon of financial attrition in the hands of self-appointed private guardians of the public interest."

Such anxious concern over the Court of Appeals' desire to protect the public from willful and fraudulent misuse of trademarks by infringers to deceive the public could well be expected from a "commercial racketeer" which "has, it appears, taken up trademark infringement as its principal line of business." (B-36, B-37).

Petitioner's concern notwithstanding, it is well recognized that it is the duty both of the trademark owner and of the courts to protect the public from the deceit of improper trademark usage. In the Senate Report No. 1333, 79th Congress, 2d Session, 1-2 (1946) U. S. Code Cong. Serv. (1946) 1274 ff., the purposes of the Lanham Trade Mark Act were noted in part as follows:

> "The purpose underlying any trade-mark statute is twofold. One is to *protect the public* so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law *protecting both the public* and the trademark owner. * * * (Emphasis added)
>
> * * *
>
> "The protection accorded trade-marks is merely protection against swindling."
>
> * * *
>
> "To protect trade-marks, therefore, is to *protect the public* from deceit, to foster fair competition, and

> to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed." (Emphasis added)
>
> • • •
>
> "Generally to simplify trade-mark practice, to secure trade-mark owners in the goodwill which they have built up, and to *protect the public* from imposition by the use of counterfeit and imitated marks and false trade descriptions." (Emphasis added)

This duty of protecting the public has further found its expression in Section 5 of the Lanham Trademark Act wherein the trademark owner is required to control authorized use of its mark so as to insure that the "mark is not used in such manner as to deceive the public" (B-5).

The courts have recognized that the public interest is involved in trademark usage in the decisions considering policing by trademark owners. For example, in *Susser et al.* v. *Carvel Corp. et al.* (1964), 332 F.2d 505, the Second Circuit Court of Appeals held: "It is in the *public interest* that products sold under one particular trademark should be subject to the control of the trademark owner." (Emphasis added)

Thus the concern by the Court of Appeals with the deception of thousands of consumers by means of petitioner's fraudulent use of respondent's trademarks is clearly within the scope of its equitable jurisdiction.

4. In View of the Finding that Petitioner Had Willfully Infringed and Fraudulently Palmed Off Its Goods Under Respondent's Trademark There Is No Question but that the Award of Attorneys Fees Was Proper.

The Court of Appeals agreed with the District Court that Petitioner had unfairly acted "willfully with full knowledge of plaintiff's rights and as a part of a precon-

ceived plan to trade upon plaintiff's goodwill" (B-26) and concluded that an injunction was inadequate "to deter those who deliberately engage in commercial piracy which defrauds thousands of consumers" (B-38). The award of attorneys fees in cases of far less blatant piracy has been sustained by the courts. *Maternity Yours, Inc.* v. *Your Maternity Shop, Inc.* (2 Cir. 1956), 234 F. 2d 538; *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America* (7 Cir. 1941), 116 F. 2d 708. This award is clearly within the sound discretion of the District Court and of the Court of Appeals and under the circumstances of this case the award was proper.

Conclusion

For the foregoing reasons it is respectfully submitted that this petition for a writ of certiorari should be denied.

Respectfully submitted,

GRANVILLE M. BRUMBAUGH
Counsel for Respondent
90 Broad Street
New York, New York 10004

Of Counsel
JOHN F. NEARY, JR.
JOSEPH D. GARON
BRUMBAUGH, FREE, GRAVES
& DONOHUE
90 Broad Street
New York, New York 10004